

STATE PROCUREMENT OFFICE
NOTICE OF REQUEST FOR EXEMPTION
FROM HRS CHAPTER 103D

14 OCT -3 10:46

TO: Chief Procurement Officer

FROM: DBEDT/SID
Name of Requesting Department

Pursuant to HRS § 103D-102(b)(4) and HAR chapter 3-120, the Department requests a procurement exemption for the following:

1. Describe the goods, services or construction:

Financial services to administer an Energy Loan Assurance Program (ELAP).

2. Vendor/Contractor/Service Provider: Hawaii Community Reinvestment Corporation
(HCRC)

3. Amount of Request:
\$ 0.00

4. Term of Contract From: 11/2/2014 To: 11/1/2022

5. Prior SPO-007, Procurement Exemption (PE):

6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:

See attached.

7. Explain in detail, the process that will be or was utilized in selecting the vendor/contractor/service provider:

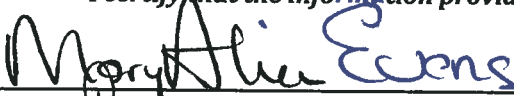
See attached.

8. Identify the primary responsible staff person(s) conducting and managing this procurement. (Appropriate delegated procurement authority and completion of mandatory training required).

*Point of contact (Place asterisk after name of person to contact for additional information).

Name	Division/Agency	Phone Number	e-mail address
Mark B. Glick	DBEDT/SID	587-2778	mark.b.glick@dbedt.hawaii.gov
Susan I. Gray-Ellis*	DBEDT/SID	587-9002	sgray-ellis@dbedt.hawaii.gov

*All requirements/approvals and internal controls for this expenditure is the responsibility of the department.
I certify that the information provided above is, to the best of my knowledge, true and correct.*



Department Head Signature

9-30-14

Date

For Chief Procurement Officer Use Only

Date Notice Posted: 10-6-14

Inquiries about this request shall be directed to the contact named in No. 8. Submit written objection to this notice to issue an exempt contract within seven calendar days or as otherwise allowed from date notice posted to:

state.procurement.office@hawaii.gov

Chief Procurement Officer (CPO) Comments:

Approval is granted with the understanding that the department has determined that it is in the best interest of the State to receive uninterrupted services at no additional cost to close out the project. Department is advised that the new contract should maintain applicable terms and conditions to protect the integrity of the project and comply with all State laws.

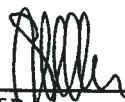
Approval is for the solicitation process only, HRS section 103D-310(c) and HAR section 3-122-112, shall apply (i.e. vendor is required to be compliant on the Hawaii Compliance Express) and award is required to be documented in the procurement/contract file.

If there are any questions, please contact Donn Tsuruda-Kashiwabara at 586-0565, or donna.tsuruda-kashiwabara@hawaii.gov.

☒ Approved

☐ Disapproved

☐ No Action Required



Chief Procurement Officer Signature

10/20/14

Date

6. Explain in detail, why it is not practicable or not advantageous for the department to procure by competitive means:

The agency believes that it is not advantageous to the State to conduct a competitive procurement. Hawaii Community Reinvestment Corporation (HCRC) was originally contracted through Professional Services method of procurement in 2011 to design, implement, and administer financing programs for energy projects to assist energy installations. Funded by an American Recovery and Reinvestment Act (ARRA) grant from the U.S. Department of Energy (USDOE), programs may include loan loss reserves, property assessed financing, on-bill financing, low-interest loans, rebates, or other finance programs. HCRC was responsible for the design and implementation of the GreenSun Hawaii Loan Loss Reserve program, including the creation of operational guidelines, development of a web-based system for consumer information and applications/contractor and financial institution information/data and information for DBEDT program tracking and reporting, marketing and promoting GreenSun to applicants, financial institutions/contractor-vendors, and complying with federal requirements. HCRC has established relationships with 12 lenders statewide, 42 contractors statewide, and issued 129 loans totaling over \$3.4M.

Subsequent to HSEO's meeting with the CPO on June 30, 2014, USDOE advised that the ARRA grant will terminate on November 1, 2014. The financing activity shall continue after the grant's termination; however, no new loan applications are to be accepted after this date. Although initially it was anticipated that a 7-year contract was needed to close out the GreenSun program, it is now projected that an 8-year term will be needed to complete applications already in process and for all loans to be repaid. This adjusted term is based on recent information on the length of time needed for utility approval of photovoltaic interconnections and loan terms having up to 7 years for repayment.

A new contract with HCRC would allow for a seamless transition of the GreenSun program as it transitions to post-grant activity after November 1, 2014. The HSEO intends to close out the GreenSun program after all loans are repaid. HCRC would continue to service the loans without disruption to the program. This would be most cost-effective for the State because HCRC would simply maintain existing guidelines and operations. The estimated costs for a new contractor would be substantially higher because of new program design and development costs. Estimated costs for a new contractor and HCRC are compared in Exhibit A. A new contractor would need to become familiar with all federal requirements related to the specific requirements established not only under the American Reinvestment and Recovery Act but also the specific grant requirements for Energy Efficiency and Conservation Block Grant, create an entirely new program, with a new set of Operational Guidelines, create new escrow and reflow accounts, establish new agreements with product vendors and financial institutions, and transfer all documents related to existing loans. USDOE review and approval of a new contractor will also be needed, which could take up to 30 days. These delays have the potential for disrupting the program, which is a concern to USDOE. Since 129 loans (and counting) have already been issued covering over \$3.4 million in projects, it is critical that the ongoing collection of loan proceeds by the participating lenders, under the guidance of HCRC, and the corresponding administration and continuity of this program be allowed to proceed. A new contract with HCRC would be the least disruptive given the circumstances articulated above. Therefore, it is in the best interest of the State to have HCRC continue to administer the GreenSun program under a new contract for 8 years, while they close out this program.

PE15-014D

7. Explain in detail, the process that will be or was use in selecting the vendor:

The Department of Business, Economic Development and Tourism would like to select the vendor, Hawaii Community Reinvestment Corporation (HCRC), who originally held the contract for the GreenSun program. HCRC was initially selected through the Professional Services method of procurement due to their high rankings by the selection committee for their experience and professional qualifications on similar type projects, past performance on projects of similar scope, and their capacity to complete the work in the required time. HCRC was responsible for designing and implementing the GreenSun program. Due to the nature of a financial loan program, in which loan terms are for several years, loans have been issued through a number of financial institutions, funds have been set aside to serve as a reserve for each loan and as the loans are repaid, the reserve is reflowed to a separate escrow account. HCRC has full knowledge and experience in how the State's loan loss reserve program is operated with all lending institutions, and there is a mix of residential and commercial loans. It is in the best interest of the State to continue utilizing the services of HCRC through a procurement which is exempt from HRS Section 103D-102(b)(4) and HAR chapter 3-120.

PE15-014D

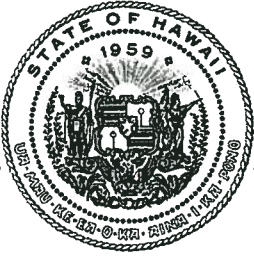
Comparative Cost Analysis for HCRC Contract Extension

TASK	New Vendor ¹	HCRC
Program Design, Start-up and General Assistance Services		
- Create Operational Guidelines	\$16,213.83	\$0.00
- Develop a reporting plan and electronic, web-based system that will include the following: - Education - energy efficiency best practices - Database for tracking and monitoring programs - Reporting progress and impacts of the programs	\$19,456.59	\$0.00
- Assist the state with maximizing the effectiveness of ARRA funds used in the project by: - Leveraging funds from other stakeholders - Identifying scenarios for best use and allocation of funds to meet HCEI and project goals	\$972.83	\$0.00
Subtotal	\$36,643.25	\$0.00
Energy Finance Program Services		
- Develop sound operating and underwriting processes and procedures, managing funds in dedicated program funds and accounts and tracking and monitoring progress toward program goals and assisting the state in communicating the success of the financing program; and providing project narrative, in-kind, technical, special and financial status reports	\$287,597.08	\$107,315.91 ²
- Carry errors and omissions insurance	\$6,485.53	\$0.00
Subtotal	\$294,082.61	\$107,315.91
Outsourced Legal & Other Fees		
- Legal work completed on program design, start-up and general assistance services and energy finance program services	\$16,213.83	\$0.00
Subtotal	\$16,213.83	\$0.00
TOTAL	\$346,939.69	\$107,315.91

FOOTNOTES:

1. Dollar amounts were taken from Contract #59986, Compensation and Payment Schedule, and adjusted for inflation for 2012, 2013 & 2014. Source: U.S. Department of Labor, Bureau of Labor Statistics, Honolulu CPI-U, 1987-2014.
2. HCRC's operating expenses will come from existing reflow account (\$57,315.91) which will decrease 5% per year during the life of the contract and their work load decreases. We will transfer (\$50,000) from existing escrow funds to the new HCRC contract for a total of \$107,315.91 to supplement the 5% decrease in fees to allow HCRC needed operational expenses.

PE15-014D



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
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DEPUTY DIRECTOR

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HAWAII STATE ENERGY OFFICE WHITE PAPER (Updated September 2014)

Request Exemption from 103D for Contract with Hawaii Community Reinvestment Corporation

This white paper seeks approval from the State Procurement Office to execute a new contract with Hawaii Community Reinvestment Corporation (HCRC) for the closeout of the GreenSun Program.

Introduction

In 2010, the Hawaii State Energy Office (also known as DBEDT-SID) received approval from the U.S. Department of Energy to create a variety of economically self-sufficient financing programs using American Recovery and Reinvest Act (ARRA) funds to stimulate low-cost financing options statewide to support the state's clean energy mandates.

On August 19, 2010, the DBEDT-SID received Governor's approval to develop energy loan programs using ARRA funding.

Background

On September 3, 2010, a Professional Services solicitation was placed via the SPO website to competitively procure a third-party administrator for the loan program. Four (4) qualified providers responded to the solicitation, and Hawaii Community Reinvestment Corporation (HCRC) was selected as the highest-ranked provider.

On February 2, 2011, a Contract for Professional Services was executed between the State of Hawaii and HCRC, with a period of performance through September 20, 2012. The contract allowed for one (1) one-year extension, therefore, contract #59986 was extended through September 20, 2013.

Having exhausted the contract's extension provision, DBEDT-SID submitted a *SPO-003 Request for Contract Extension* to SPO on July 9, 2013. Approval of a 180-day extension was granted by former CPO, Aaron Fujioka, on July 18, 2013. Contract #59986 was extended through March 19, 2014.

On January 31, 2014, Deputy Director Mary Alice Evans, Energy Program Administrator, Mark Glick and Energy Office Contracts Specialist, Susan Gray-Ellis met with CPO, Sarah Allen, and SPO staff members Mara Smith and Donn Tsuruda-Kashiwabara to explain DBEDT's Loan Loss Reserve Program and the need to further extend contract #59986 with HCRC. On February 24, 2014, DBEDT-SID submitted a *SPO-003 Request for Contract Extension* to SPO. On March 10, 2014, the CPO granted a 180-day no-cost extension on contract #59986 through September 15, 2014.

On June 30, 2014, DBEDT Deputy Director Mary Alice Evans, Energy Program Administrator, Mark Glick and Energy Office Contracts Specialist, Susan Gray-Ellis met with CPO, Sarah Allen, and Deputy CPO, Paula Youngling to explain the changes to DBEDT's Loan Loss Reserve Program since the January 31st meeting and the need to further extend contract #59986 with HCRC. On August 27, 2014, DBEDT-SID submitted a *SPO-003 Request for Contract Extension* to SPO. On September 8, 2014, the

CPO granted a 47-day no-cost extension on contract #59986 through end of the grant period (November 1, 2014).

Solution

DBEDT-SID seeks SPO's approval to execute a new contract with HCRC:

SPO-007 *Notice of Request for Exemption from HRS Chapter 103D*. DBEDT-SID requests approval to create a new contract with HCRC to service the existing loans and close out the program. Under the GreenSun program, loans are administered for up to a 7-year term. Although initially it was anticipated that a 7-year contract was needed to close out the GreenSun program, it is now projected that an 8-year contract will be needed to complete applications already in process and for all loans to be repaid. This adjusted term is based on recent information on the length of time needed for utility approval of photovoltaic interconnections and loan terms having up to 7 years for repayment. Loans have already been issued through a number of financial institutions, funds have been set aside to serve as a reserve for each loan, and as the loans are repaid, the reserve is reflowed to a separate escrow account. HCRC has full knowledge and experience in how the State's loan loss reserve program is operated with all lending institutions. USDOE expects a seamless transition once the grant terminates on November 1, 2014, for the continued administration of the GreenSun program by a third-party administrator. Continuation through a new contract with HCRC as the third-party administrator would be the least disruptive and in the State's best interest to ensure appropriate loan servicing and eventual closeout of the GreenSun program.

Conclusion

DBEDT-SID has received the approval from the USDOE's State Energy Program (SEP) on April 17, 2014, to direct \$1.7 million of SEP funds currently being administered by HCRC to the DBEDT Green Energy Market Securitization (GEMS) Program, which aims to provide alternative low-cost financing, through the issuance of bond funds that promote accessible and affordable options for Hawaii consumers in energy efficiency and support Hawaii's clean energy goals. It also received approval from the USDOE's American Recovery & Reinvestment Act (ARRA) Energy Efficiency and Conservation Block Grant (EECBG) to continue the GreenSun Program, however, it was decided that the funds would be better leveraged in a program such as GEMS.

Subsequent to HSEO's meeting with the CPO on June 30, 2014, USDOE advised that the ARRA grant will terminate on November 1, 2014. The financing activity shall continue after the grant's termination; however, no new loan applications are to be accepted after this date. A new contract with HCRC would be the least disruptive given the circumstances articulated above. Therefore, it is in the best interest of the State to have HCRC continue to administer the GreenSun program under a new contract for 8 years, while they close out this program.

Works Cited

SPO-003 CE 14-002W approved on July 18, 2013

SPO-003 CE 14-029S approved on March 10, 2014

SPO-003 CE 15-006S approved on September 8, 2014